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SUBJECT: NEGOTIATIONS BEGIN ON MINIMUM WAGE

REF: A. 09 TEGUCIGALPA 1266
[1](#)B. 09 TEGUCIGALPA 542
[1](#)C. 09 TEGUCIGALPA 106
[1](#)D. 08 TEGUCIGALPA 1161

[11.](#) (U) Summary: A tripartite commission of public, private, and labor sector representatives has begun discussions on raising the minimum wage, attempting to find a compromise between widely diverging demands. Any wage hike will be a strain on both public and private employers, since the minimum wage is already high compared to GDP and because teachers' salaries are tied to the minimum wage by formula. Many Hondurans are unsympathetic to teachers' demands for a rise in the minimum wage and hence in their salaries, given the amount of time teachers failed to teach in 2009. The commission hopes to make its recommendation to de facto president Roberto Micheletti before the president-elect takes office at the end of January. End Summary.

[12.](#) (U) A commission comprised of representatives from government, business and labor was formed December 29 to negotiate a new minimum salary, and began deliberations on January 5. It is expected that the commission will continue to meet in the next few weeks in an attempt to make its recommendation to the de facto regime before the January 27 presidential inauguration. This is an annual practice. If the commission fails to reach an agreement, the issue goes for decision to the President. In most previous years, this increase has been around 9 percent. At the end of 2008, after business leaders declared an impasse, President Manuel "Mel" Zelaya increased the minimum wage by more than 60 percent, a move widely condemned by the business community. Business leaders and even mayors claimed that they were forced to lay off workers to be able to meet the new payroll (reftels). Recent media reports indicate that 180,000 jobs were lost last year because of the combined effects of the global economic crisis, the steep wage hike, and the political crisis engendered by the June 28 coup. According to the Tegucigalpa Chamber of Commerce and Industry, almost half of small and medium enterprises already fail to pay the minimum wage because they cannot afford to.

[13.](#) (U) The current minimum wage is 5,500 lempiras per month (approximately 291 dollars) in urban areas, and 4,055 lempiras (approximately 215 dollars) in rural areas. The labor representatives started the discussions demanding a 150 percent increase in the minimum wage, while the business representatives pushed for no increase at all. More

recently, the press has reported that the business leaders will propose a monthly increase of 800 lempiras (approximately 42 dollars or 15 percent), while labor leaders will ask for 3000 lempiras (approximately 158 dollars or 55 percent) more. Workers representatives are also asking that "maquiladoras" (manufacturers for export) and cigar makers be included in the minimum wage. Normally their increases are negotiated separately; they received a much smaller increase last year.

¶4. (U) Honduras's current minimum wage is the third highest in Central America, behind Panama and Costa Rica. But, measured as a percentage of per capita GDP, the urban minimum wage is three times higher than the minimum wage in either of those two countries. As reported in local press, the entire cost of Honduras's central administration is 10.8 percent of the GDP, with payroll eating up more than 75 percent of those costs. In contrast, infrastructure projects reportedly amount to only 2 percent of GDP.

¶5. (U) The most powerful voice for labor comes from the teachers' unions, with some 60,000 members. Beginning this year, teachers are also the only public employees whose salaries are indexed to the minimum wage, rather than to the expected rate of inflation. Some local editorials decry the teachers' demands, noting that their request for an "educational bonus" along with a wage hike is undeserved, since they only worked about 100-120 days of the required 200 last year. In addition to frequent strikes at the beginning of the 2009 school year, many teachers participated in pro-Zelaya marches after the coup, while many others simply did not show up for work every day. Teachers again flexed their muscle when they refused to begin in-service training scheduled for January 4, but announced through labor organizations that they would not start work until February 1.

¶6. (SBU) Comment: As seen in last year's steep wage hike, any large increase in the minimum wage could lead to additional layoffs. If Honduras loses more of its competitive edge because labor costs, more manufacturers may pick up and move to countries with lower wages. Even a small increase will impose a difficult strain on an already ailing public finances. However, if the increase is negligible, it will be strongly opposed by an increasingly polarized and potentially radicalized labor movement. The timing of making a recommendation prior to the inauguration may be seen as an effort to have de facto leader Roberto Micheletti make the final decision, rather than burden president elect Porfirio "Pepe" Lobo with a decision that could prove to be unpopular with one side or the other. Either way, he will need to deal with any fallout early on in his administration. End comment.
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